

Rogue Valley Sewer Services
Budget Committee Meeting Minutes
April 22, 2020

TIME AND PLACE OF MEETING:

A meeting of the Budget Committee of Rogue Valley Sewer Services, Jackson County, Oregon, was held at 138 W Vilas Road, Central Point, Oregon, on April 22, 2020. The meeting was called to order at noon by Board of Directors Chairperson Kay Harrison.

BUDGET COMMITTEE MEMBERS PRESENT:

Wayne Brown, Gary Hall, Kay Harrison, Jim Lewis, Dick McGregor, Mike Parker, Mike Parsons, Terry Sackett, and Jim Snyder. All budget committee members appeared electronically.

Mike Burrill, Jr was absent.

ALSO PRESENT:

Carl Tappert, Manager and Budget Officer; Brenda Baldovino, Finance Director; Shane Macuk, Operations Manager ;Joan Pariani, Executive Secretary; Jennie Morgan, Stormwater Program Manager; Nick Bakke, District Engineer appeared electronically

ELECTION OF BUDGET COMMITTEE CHAIRPERSON:

Gary Hall nominated Mike Parker as Budget Committee Chairperson and Jim Lewis seconded the nomination. No further nominations were offered, and Board Chairperson Kay Harrison then closed the nominations for Budget Committee Chairperson. Mike Parker was elected Chairperson of the Budget Committee by unanimous vote of all committee members.

ELECTION OF BUDGET COMMITTEE SECRETARY:

Dick McGregor nominated Jim Snyder as Budget Committee Secretary and Gary Hall seconded the nomination. No further nominations were offered, and Board Chairperson Kay Harrison then closed the nominations for Budget Committee Secretary. Jim Snyder was elected Secretary of the Budget Committee by unanimous vote of all committee members.

PRESENTATION OF BUDGET BY THE BUDGET OFFICER:

Budget Officer Carl Tappert read the written Budget Message as presented in the written Proposed Budget Fiscal Year Ended June 2021 that had previously been provided to all Committee Members.

RVSS once again received the Distinguished Budget Presentation Award from GFOA.

The printed version of the budget document provided to the Committee Members in advance of the meeting had some missing text compared to the original document. These were believed to be a result of the conversion to the pdf format used for printing. These omissions were noted and corrected as discussions ensued.

The Budget Officer recommends that RVSS forego a rate increase in FY21 due to the potential adverse economic consequences of the COVID-19 pandemic. There were no disagreements from the committee members. Analysis determined that an increase of \$0.90 would have been warranted under normal circumstances, which would have brought the monthly rate for a single-family residence to \$22.40 in FY21. The Budget Officer noted that the capital improvement plan for FY21 has been reduced by approximately 30% to compensate for not having this rate increase.

Flow monitoring has not shown any noticeable change in water usage related to the pandemic shutdown. The budget does not anticipate any significant loss of revenue from decreased usage but it is still too early in the shutdown to draw conclusions. The Budget does have sufficient contingency to cover any loss in revenue.

The Budget Officer recommends the addition of one personnel position in the Treatment Department, for a total of 38 personnel employed by RVSS. This new position is meant to alleviate the problem of the Treatment Department being short-handed and therefore delaying or deferring critical maintenance tasks.

The Budget Officer recommends an increase of approximately 8% in Personnel Services costs in order to accommodate a cost of living adjustment of 2.5%, a projected health insurance increase of 15%, and adjustments to certain positions based on a recent compensation study.

The Budget Calendar was corrected to show that the Board of Directors will meet on June 17, 2020 at noon rather than at 7am to discuss and approve the budget.

Resource and Requirement Summary (All Funds Combined):

“Capital Outlay-Rehab Projects” shows a large increase compared to the past despite the reduction in the capital improvement plan. This additional spending is for the Dunn Pump Station rehabilitation which is not funded through the General Fund.. The Debt Service line shows an increase because RVSS now pays for debt servicing for Shady Cove.

Fund 01: General Fund

The recommendation to forego a rate increase in FY21 due to financial complications to our customers caused by the COVID-19 pandemic was reiterated.

The fact that SDCs will account for only 4% of General Fund revenues due to steep reductions in the building industry compared to as much as 30% in previous years was highlighted.

The increase in the “Total Reimbursements” line will occur in FY21 because RVSS is now capitalizing major repair work performed by our in-house construction crew. Labor costs for these capital repairs are charged to the capital project and reimbursed to the General Fund.

The “Interceptor SDC Reserve” line is an accounting feature used to track the difference between revenue collected in the form of SDCs and money transferred into the Interceptor Capital Expansion Fund 07.

The “Performance Incentive Plan” line for FY21 has been added to separately track employee incentives. This program has been in place for several years but the money for it was included in the wages line item. Making a separate line item improves transparency.

The “Bank Charges” line is comprised of three programs that allow customers to pay via autopay, pay-on-line, and commercial accounts to pay through Umpqua Bank. RVSS has allowed the use of credit cards since 2014 as a convenience for our customers. A side benefit is that certifications for unpaid bills has decreased by approximately 20%,

The “Department 40, a/c #7544” line listing FY21 as \$18,000 should be shown as “Training Certification” for \$22,000.

The “Department 20, a/c #7622” line for FY21 should read \$214,000.

“Utilities & Power” costs have been significantly reduced due to previously implemented energy efficiency activities.

“Unit #15” will be sold upon replacement. The pricing methodologies that will be employed based upon previous successes were discussed.

“TV Van” is shown as a FY21 expenditure. It will be paid for in a single year, either FY20 or FY21; when it will be paid is unknown at this time, so it is budgeted into FY21.

Funds are budgeted in FY21 to improve the of our office spaces. Walls will be painted, floor tiles will be replaced, the Board Room will be upgraded, and front office cubicles will be improved.

Fund 04: Bear Creek Interceptor Operations & Maintenance

Both RVSS and the City of Medford pay into this fund. Payments are based upon flow rate.

Pump Station Power costs are being successfully reduced due to installed solar energy equipment.

Fund 07: Interceptor Capital Expansion

“Dunn PS Pump Replacement” is double budgeted for two years because the replacement date is currently unknown. The pump itself has been pre-purchased.

Fund 09: White City Storm Drains

This fund applies only to the industrialized portion of White City. These are low priority projects. These budget items may or may not be implemented.

Fund 10: Stormwater Quality Management

Central Point is no longer a part of this fund; they have acquired their own permit.

The “Professional Services” line will fund a ground water study jointly with the City of Medford.

The “Privately Funded Projects” line pays for the labor involved with project reviews. Most of the costs are recovered.

The “Stormwater Incentive Program” line provides reimbursement to cities and private developments that implement stormwater controls that exceed minimum requirements.

Fund 50: Shady Cove Treatment

Funding for the operation of the Shady Cove treatment plant comes exclusively from Shady Cove residents. With limited revenue and high needs Fund 50 is an ongoing challenge. We do not anticipate any shortfall this year.

Fund 52: Shady Cove Collection System

Now that Shady Cove is annexed into our system, this fund has been “zeroed out”, but will continue to be displayed in RVSS budgets for the next couple of years.

Fund 55: Treatment Capital

The Budget Officer claims that this fund is in good shape. As part of the annexation of Shady Cove, Shady Cove transferred approximately \$700,000 of capital reserve funds into Fund 55. This fund also receives surplus from the Lagoon Fund.

The “FY21 Misc Treatment Maintenance” line represents a new addition to the budget in this fund. The frequent rebuilding of the pump has been very labor intensive. This has prompted the Budget Officer to recommend that this work for this item be added to the “Capital Expense Fund” to recognize that these activities are more than just repair and maintenance.

Fund 60: Gold Hill Treatment

RVSS currently operates the Gold Hill Treatment Plant under an agreement signed in 2018 that will expire in 2022. The City of Gold Hill pays for this activity with an annual fee that is paid in monthly installments. RVSS will continue to operate this plant until the expiration of the agreement and the City Council of Gold Hill renders their decision concerning this plant’s future. The RVSS Budget Officer believes that replacement of the current plant will cost the city more in the near-term but will save operational costs for the city in the long-term.

The Budget Officer recommends utilizing some of the surplus funds to make certain miscellaneous repairs and upgrades to the collection system. The agreement with Gold Hill specifically excludes large capital projects within the collection system. RVSS is in the process of negotiating an amendment to the agreement to permit these projects.

The “General Fund-Labor” line is missing the entry of \$170,000 under the “Projected FY20” column. This is one of the errors believed to have been introduced during the pdf conversion. The totals on the page are accurate.

Fund 65: Gold Hill Collection System

RVSS currently operates the collection system under an agreement signed in 2018 that will expire in 2022. The City of Gold Hill pays for this activity with an annual fee that is paid in monthly installments. These revenues are collected into Fund 60 and then transferred into Fund 65.

The “5th Street Sewer Replacement” line: the pipes are not in good condition, and a nearby school is adding to the difficulties.

The “Riverside Sewer Replacement” line: RVSS has experienced continual maintenance problems with pipes that were previously strip-lined, resulting in narrowing these pipes which must be cleaned out on a weekly basis. This increases operational costs.

Fund 70: Lagoons

Revenues for this fund come from hauled waste fees.

The Budget Officer recommends that surplus funds generated from hauled septage be transferred to Fund 55 to support finance capital improvements for both the Shady Cove Treatment Plant and the White City Lagoons.

The Budget Officer explained that associated labor costs are somewhat higher than forecasted, but still within reasonable bounds.

Budget Requirement Details by Department

The Budget Requirements shown in the Proposed Budget were generally discussed as displaying the Fund requirements allocated to each RVSS Department.

The Budget Officer made note of the negative “Ending Fund Balances” for FY23 and FY24 which are part of the financial planning projections used in order to arrive at a positive “Ending Fund Balance” for FY25. These negative balances will be managed to positive variances as RVSS moves toward those years.

Capital Improvement Projects for FY21:

The Budget Officer highlighted specific projects for further elaboration:

- (1) **Shady Cove PS #2 Upgrade, J250.** This is the largest, and more pump station in Shady Cove. The controls are located at the bottom of a 20 foot deep drywell, which makes any service difficult and requires at least two people at all times. This project will replace the pumps and controls and move the controls to the surface, where they can be easily accessed.
- (2) **ODOT OR140 Exit 35 to Blackwell Road, J291.** ODOT will be making upgrades to this road. If Gold Hill chooses to connect to the regional system the connection will pass through this road project. RVSS is working with ODOT to include the sewer design in the road project. The Budget Officer hopes that Gold Hill will choose a course of action before any funds need to be spent.
- (3) **Misc. Grinder Pumps, JXYY.** This project will replace the current, less efficient STEP/STEG systems with the more efficient EOne Grinder Pumps which will increase operational efficiencies.
- (4) **Sodium Hypochlorite Conversion, C021.** This project is intended to replace the current chlorine disinfection system with a Sodium Hypochlorite Disinfection system because the Budget Officer believes that this replacement system, although more expensive to operate, will be safer for our operators. After some discussion, a request was made by Committee Member Mike Parker to have a briefing prepared for the Board of Directors to more fully explain the ramifications of this proposal.

Largest Consumption Customers (Top 20)


The Budget Officer noted that residential customers pay a flat fee; commercial customers pay variable rates and most commercial activities are metered. Only about 30% of RVSS sewer revenues are based on flows, which makes us more resistant to economic slow down. The Budget Officer explained that RVSS has healthy reserves.

MOTION

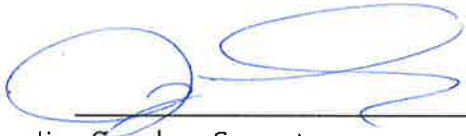
With no more inquires, Committee Member Gary Hall motioned to approve the Proposed Budget Fiscal Year Ending June 2021. Wayne Brown seconded. The motion carried by unanimous rollcall vote of all committee members.

ADJOURNMENT

There being no further business, the Chairperson adjourned the meeting at 1:30 pm.




Mike Parker, Chairperson
Budget Committee



Jim Snyder, Secretary
Budget Committee



Kay Harrison, Chairperson
Board of Directors



Joan Parlani, Executive Secretary